

# Report of the auditor-general to Limpopo provincial legislature and the council of Sekhukhune District Municipality

## Report on the audit of the consolidated and separate financial statements

### Opinion

1. I have audited the consolidated and separate financial statements of Sekhukhune District Municipality set out on pages ... to ..., which comprise the consolidated and separate statement of financial position as at 30 June 2018, the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year the ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the municipality as at 30 June 2018, and its financial performance and cash flows for the year the ended in accordance with South African Standard of Generally Recognised Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003) (MFMA) and Annual Division of Revenue Act, 2017 (Act No. 3 of 2017) (DoRA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matters

I draw attention to the matters below. My opinion is not modified in respect of these matters.

### Significant uncertainties

6. With reference to note 35 to the financial statements, the department is a defendant in various legal claims involving individuals and companies. The municipality is opposing these claims;

however, the outcome of the matters cannot presently be determined. As a result, no provision for any liability that may result has been made in the financial statements.

#### **Restatement of corresponding figures**

7. As disclosed in note 37 to the annual financial statements, the corresponding figures for the financial year ended 30 June 2018 have been restated as a result of errors in the financial statements of the municipality for the year ended 30 June 2017 discovered in the current year.

#### **Unauthorised expenditure**

8. As disclosed in note 42 to the annual financial statements, unauthorised expenditure to the amount of R54 159 575 was incurred, as the municipality overspent on the budget.

#### **Fruitless and wasteful expenditure**

9. As disclosed in note 43 to the annual financial statements, fruitless and wasteful expenditure incurred by the municipality in the prior year to the amount of R21 801 793, the amount of R17 815 693 was recovered and the remaining portion of R3 986 100 was not investigated.
10. As disclosed in note 43 to the annual financial statements, fruitless and wasteful expenditure incurred by the municipality in the current year to the amount of R110 651, is as a result of interest charged on overdue accounts.

#### **Irregular expenditure**

11. As disclosed in note 44 to the annual financial statements, the municipality incurred irregular expenditure to the amount of R26 621 779 in the current year as a result of non-compliance with regulation 38 of the MFMA.
12. As disclosed in note 44 to the annual financial statements, irregular expenditure written off as irrecoverable in the current year to the amount of R472 905 189 was not investigated.

#### **Material losses (water distribution)**

13. As disclosed in note 45 to the annual financial statements, material water losses to the amount of R97 012 345 (2016-17: R117 589 824) was incurred as a result of spillages and water provided to indigents.

#### **Other matter**

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### **Unaudited supplementary schedules**

15. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

## **Responsibilities of the accounting officer for the financial statements**

16. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with SA Standard GRAP and the requirements of the MFMA and DoRA, and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
17. In preparing the consolidated and separate financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

## **Auditor-general's responsibilities for the audit of the consolidated and separate financial statements**

18. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
19. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

## **Report on the audit of the annual performance report**

### **Introduction and scope**

20. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
21. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
22. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities

presented in the annual performance report of the municipality for the year ended 30 June 2018:

Development priorities	Pages in the annual performance report
Development priority 2.2 – Spatial rationale	x – x
Development priority 2.4 – Basic service delivery	x – x
Development priority 2.5 – Local economic development	x – x

23. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

24. The material findings in respect of the usefulness and reliability of the selected are as follows:

#### **Development priority 2.2 – Spatial rationale**

##### **Four preliminary studies conducted in Jane Furse for the land earmarked for municipal offices**

25. The planned target was not specific in clearly identifying the nature and required level of performance and/or measurable as it did not specify the studies to be performed on the Jane Furse earmarked land.

#### **Development priority 2.4 – Basic service delivery**

##### **Various indicators**

26. I was unable to obtain sufficient appropriate evidence that clearly defined the pre-determined source of information to be used when measuring actual achievement for the indicator below.

27. The source information and/or evidence and/or method of calculation for achieving the planned indicator was not clearly defined.

28. The planned targets for these indicators was not specific in clearly identifying the nature and required level of performance to measure and enable verification of performance achievement and set targets.

29. The systems and processes that enable reliable reporting of achievement against the indicator were not adequately designed (include details of the inadequacies of the systems and/or processes)

<b>Performance indicators per SDBIP</b>	<b>Performance indicator per APR</b>	<b>Targets per SDBIP</b>	<b>Target per APR</b>
Percentage completion of the line integrity of sewer network in Groblersdal	Percentage completion of the line integrity of sewer network in Groblersdal	100% completion of the line integrity of sewer network in Groblersdal	100% completion of the line integrity of sewer network in Groblersdal
Percentage conduct of condition assessment and O & M plan developed	Percentage conduct of Condition assessment and O & M plan developed	60% conduct of conditional assessment and O & M plan developed	60% conduct of Condition assessment and O & M plan developed
Percentage reservoir constructed	Percentage 2 X 5 MI concrete reservoir constructed	70% , 2 X 5 MI concrete reservoir constructed(35% of each reservoir constructed)	70% , 2 X 5 MI concrete reservoir constructed
Percentage bulk pipeline constructed and reservoir completed.	Percentage bulk pipeline constructed and reservoir completed.	100% (100%bulk pipeline constructed and 100%reservoir completed).	100% bulk pipeline constructed and reservoir completed.
Percentage of pipeline tested and commissioned	Percentage of pipeline tested and commissioned	100% pipeline tested and commissioned	100% pipeline tested and commissioned
Percentage M&E components installed	Percentage M&E components installed	100% M&E components Installed	100% M&E components Installed
Percentage bulk pipeline constru	Percentage bulk pipeline constructed.	100% bulk pipeline constructed.	100% bulk pipeline constructed.
Percentage completion of 1.1km 650m DIA and 500m of 450 DIA Steel Water Pipeline%	Percentage bulk pipeline constructed.	100% of (1.1km 650m DIA and 500m of 450 DIA Steel Water Pipeline, 3LPE, Coated and cement Mortar lined) constructed	100% of (1.1km 650m DIA and 500m of 450 DIA Steel Water Pipeline, 3LPE, Coated and cement Mortar lined) constructed
Percentage completion of 400m long, 750mm diameter pipe line and 900m long, 450mm dimeter steel pipe	Percentage bulk pipeline constructed.	100% of (completion of 400m long, 750mm diameter pipe line and 900m long, 450mm dimeter steel pipe)	100% completion of 400m long, 750mm diameter pipe line and 900m long, 450mm dimeter steel pipe
Percentage of road crossings constructed	Percentage bulk pipeline constructed.	100% of (Overall Completion of Road crossings. * Jacking at Road R555 at Apies. * Jacking at Road R555	100% Overall Completion of Road crossings. * Jacking at Road R555 at Apies. * Jacking at Road

Performance indicators per SDBIP	Performance indicator per APR	Targets per SDBIP	Target per APR
		at Fire Station. * Jacking at Road R555 to Penge Junction. *Jacking Railways crossin)	R555 at Fire Station. * Jacking at Road R555 to Penge Junction. *Jacking Railways crossin)
Percentage Construction of 2700m, 500mm DIA and 2600, 400mm DIA Steel Water Pipeline.	Percentage bulk pipeline constructed.	5% Construction of Mooihoek Tubatse 2 X 10 MI Concrete reserviors including fittings, fencing, paving & kerbing. (2,5% of each 10MI reservior constructed)	100% Construction of Mooihoek Tubatse 4C2:2700, 500mm DIA and 2600, 400mm DIA Steel Water Pipeline, Installation of chambers fittings
	Percentage bulk pipeline constructed.		10% Construction of Mooihoek Tubatse 2 X 10 MI Concrete reserviors including fittings, fencing, paving & kerbing.
Percentage of lab chemical purchased	Percentage of lab chemical purchased	100% lab chemical purchased	100% lab chemical purchased
Number of registered water incidents resolved within 14 days		7000 registered water incidents resolved within 14 days	
Number of Litres of diesel supplied annually	Number of Litres of diesel supplied annually	40 000ℓ of diesel supplied annually.	40 000ℓ of diesel supplied annually.
Number of Litres petrol supplied annually	Number of Litres petrol supplied annually.	400ℓ of petrol supplied annually.	400ℓ of petrol supplied annually.
Number of Litres of oil supplied annually.	Number of Litres of oil supplied annually.	300ℓ of oil supplied annually.	300ℓ of oil supplied annually.
Number of registered M & E incidents resolved within 14 days	Number of registered M & E incidents resolved within 14 days	450 of registered M & E incidents within 14 days	450 of registered M & E incidents within 14 days
Percentage completion of Tukakgomo water reticulation.	Percentage (%) completion of Tukakgomo water reticulation. ( 2 Sources completed 30% and	100% completion of Tukakgomo water reticulation(1000m) ; refurbishment of rising main to high lift pumpstation, river abstraction point	100% completion of Tukakgomo water reticulation(1000m) ; refurbishment of rising main to high lift pumpstation, river abstraction point

Performance indicators per SDBIP	Performance indicator per APR	Targets per SDBIP	Target per APR
	reticulation constructed 70%)	upgrading ; 2 existing borehole tested and equipped, and refurbishment of the highlift pumpstation and the low lift pumpstation.	upgrading ; 2 existing borehole tested and equipped, and refurbishment of the highlift pumpstation and the low lift pumpstation.
	Percentage (%) of Abstraction point, rising main and reticulation completed.		100% of Upgrading of Abstraction point, 1200m installation rising main from borehole to res and Equiping/testing of borehole, Upgrading of WTW, Upgrading of the pumpstation, 1000m of basic reticulation ,Investigate rising main from WTW to the reservoir, Electrical & Mech for pumstation completed.
Number of Kilometers of bulk pipeline constructed		<ul style="list-style-type: none"> <li>*100% Construction of 639kl elevated steel tank.</li> <li>* Construction of 1.8km rising main.</li> <li>*Construction of 6.23km internal reticulation.</li> <li>*Installation of 29 standpipes.</li> </ul>	
Percentage completion of WTW and Abstarction point refurbishment.		<ul style="list-style-type: none"> <li>*100% Refurbishment of 6,2km rising main from the source to reservoir.</li> <li>*100% Refurbishment of the fountain.</li> <li>*100% Refurbishment of 340kl concrete reservoir.</li> <li>*Construction of 5,935km of reticulation.</li> </ul>	
Percentage completion of source	Percentage completion of source and Kilometers of pipeline constructed	*100% Refurbishment of 6,2km rising main from the source to reservoir.	*100% Refurbishment of 6.2km rising main

<b>Performance indicators per SDBIP</b>	<b>Performance indicator per APR</b>	<b>Targets per SDBIP</b>	<b>Target per APR</b>
and of Kilometers of pipeline constructed			from the source to reservoir.
Percentage Completion of Phiring water intervention	Percentage completion of Phiring water intervention	*100% Refurbishment of existing borehole. *100% Erection of 400kl steel tank. *100% Connecting the existing rising main to newly constructed steel tank.	*100% Refurbishment of existing borehole. *100% Erection of 400kl steel tank. *100% Connecting the existing rising main to newly constructed steel tank.
Percentage completion of Mamatjekele Package Plant	Percentage (%) completion of Mamatjekele Package Plant	*100% completion of Mamatjekele Package Plant	100% completion of Mamatjekele Package Plant
Percentage completion of Jane Furse RDP Package Plant , Drilling, testing and equipping of borehole; construction of 600m rising main, connection to the existing RDP network, installation of concrete pumphouse,	Percentage completion of Jane Furse RDP Package Plant , Drilling, testing and equipping of borehole, construction of 600m rising main, connection to the existing RDP network, installation of concrete pumphouse and installation of 4x10kl jojo tanks.	100% completion of Jane Furse RDP Package Plant , Drilling, testing and equipping of borehole;100% construction of 600m rising main, 100% connection to the existing RDP network,100% installation of concrete pumphouse, 100% installation of 4x10kl jojo tanks.	*100% completion of Jane Furse RDP Package Plant , Drilling, testing and equipping of borehole
	*Percentage completion of rising main.		*100% completion of 240m of rising main,
*Percentage completion of 240m of rising main , 594m of basic reticulation completed and 12 communal standpipes		*100% completion of 240m of rising main,. 100% completion of 594m of basic reticulation, 100% Relocation of existing elevated tankat and 12 communal standpipes	
Percentage completion of Moretsele Water Rising Main.	Percentage completion of Moretsele rising main	*100% completion of Moretsele Water Rising Main. (Drilling, testing and equipping of 2	100% completion of Moretsele rising main (Drilling, testing and equipping of 2 boreholes, Installation



Performance indicators per SDBIP	Performance indicator per APR	Targets per SDBIP	Target per APR
		boreholes, Installation of 74kl steel tank, Construction of 1000m rising main).	of 74kl steel tank, Construction of 1000m rising main)
Percentage completion of Nebotesting and commissioning	Percentage completion of Nebo testing and commisssioning.	100% completion of Nebotesting and commissioning . (100% of water tight testing of 0.5ML reservoir in Mashishing. *100% Pressure test and disinfection of existing outlet for reuse. *100% Install required fittings and further extension of the existing reservoir' *100% Equitable distribution/resource balance of water	100% completion of Nebo testing and commisssioning. (100% Water tightness at Mashishing, 100% Pressure and disinfection of the exisitng outlet , 100% Installations of fittings , 100% Equitable distribution/ resource balance of water)
Percentage completion of boreholes, drilling and testing, rising main, installation of concrete pump houses and Eskom connection.	Percentage completion of borehole drilling and testing, rising main, installation of concrete pump house and ESKOM connection	100% completion of boreholes, drilling and testing, (5,040km )rising main, installation of concrete pump houses and Eskom connection.	100% completion of borehole drilling and testing, rising main (5,040km, installation of concrete pump house and ESKOM connection
Percentage completion of rising main, source development , installation of concrete pump houses and eskom connection	Percentage completion of rising main, source development, installation of concrete pump houses and ESKOM connection	100% completion of rising main, source development , installation of concrete pump houses and eskom connection	100% completion of rising main, source development, installation of concrete pump houses and ESKOM connection
Percentage completion of boreholes testing and equiping,refurbusment of existing tank, rising main and communal standpipes.	Percentage completion of borehole testing and equiping, refurbishment of existing tank, rising main and communal standpipes	100% completion of boreholes testing and equiping,refurbusment of existing tank, rising main(1km) and communal standpipes (7).	100% completion of borehole testing and equiping, refurbishment of existing tank, rising main(1km) and communal standpipes (7)
Percentage Installation of JOJO Tanks, Installation of reticulation,Installation	*Percentage Installation of JOJO Tanks, Installation of reticulation,Installation of	*100% Installation of 5x 10kl JOJO Tanks, Installation of 9km reticulation,Installation of	*100% Installation of 5x 10kl JOJO Tanks. *100% Installation of 9km reticulation.

<b>Performance indicators per SDBIP</b>	<b>Performance indicator per APR</b>	<b>Targets per SDBIP</b>	<b>Target per APR</b>
of meters, Provisioning of WC/WD Management Plan and Effecting Pressure Management Zones Percentage Installation of JOJO Tanks, Installation of reticulation, Installation of meters, Provisioning of WC/WD Management Plan and Effecting Pressure Management Zones	meters. *Provisioning of WC/WD Management Plan. *Effecting Pressure Management Zones	481 meters, Provisioning of WC/WD Management Plan and Effecting Pressure Management Zones	*100% Installation of 481 meters. *Provisioning of WC/WD Management Plan. *Effecting Pressure Management Zones
Percentage Testing of existing borehole. *One package plant installed at Tjibeng . *Refurbishment of existing fence.	*Percentage completion of Testing of existing borehole. *One package plant installed at Tjibeng . *Percentage Refurbishment of existing fence.	*100% Testing of existing borehole. *One package plant installed at Tjibeng . *Refurbishment of existing fence.	*100% Testing of existing borehole. *One package plant installed at Tjibeng . *100% Refurbishment of existing fence.
Percentage completion of boreholes drilled, tested and equipped, Installation of rising main. *Business Plan finalized for installation of package plant.	* Percentage completion of boreholes drilled, tested and equipped, Installation of rising main. *Business Plan finalized for installation of package plant.	* 100% completion of 3 boreholes drilled, tested and equipped. *100% Installation of 3,5 km rising main. *Business Plan finalized for installation of package plant.	* 100% of 3 boreholes drilled, tested and equipped. *100% Installation of 3,5 km rising main. *Business Plan finalized for installation of package plant.
Percentage refurbishment of Thabampshe water pump station ( 2 pumps, motors and electrical panel and replacement of valves and testing of rising main ) Installation of fence	*Percentage refurbishment of Thabampshe Pump Station( 2 pumps, motors and electrical panel completed, replacement of valves and testing of rising main) Installation of fencing .	*100% refurbishment of Thabampshe water pump station ( 2 pumps, motors and electrical panel completed and replacement of valves and testing of rising main) * Installation of fencing.	*100% refurbishment of Thabampshe Pump Station( 2 pumps, motors and electrical panel completed, replacement of valves and testing of rising main) Installation of fencing .
Percentage Installation of solar panels on the pump station and Source development.	*Percentage installation of solar panels on the pump station, and source development.	*100% Installation of solar panels on the pump station.	*100% Installation of solar panels on the pump station.

Performance Indicators per SDBIP	Performance indicator per APR	Targets per SDBIP	Target per APR
		*100% Source development.	*100% Source development.
Percentage completion of drilling, Testing and Equipping of borehole, Installation of rising main, Erection of jojo tanks and Communal standpipes.	*Percentage completion of Drilling, Testing and Equipping of borehole, installation of rising main,erection of jojo tanks, and communal standpipes.	*100% completion of drilling, Testing and Equipping of borehole. *100% Installation of 4km rising main. *100% Erection of 4x 10 000kl jojo tanks. *2 communal standpipes.	*100% completion of Drilling, Testing and Equipping of borehole. *100% Installation of 4km rising main. *100% Erection of 4x 10 000kl jojo tanks. *2 communal standpipes.
Percentage completion of Drilling, testing & Equipping of borehole, reticulation network, rising main,elevated steel and Installation standpipes	*Percentage completion of Drilling, testing & Equipping of boreholes,reticulation network, rising main, elevated steel tank and installation of standpipes	*100% Drilling, testing & Equipping of 2 borehole. *100% completion 5,7240km of reticulation network. *100% completion of 700m of rising main. *100% Installation of one 252kl elevated steel tank. *100% Installation of 32 standpipes	*100% Drilling, testing & Equipping of 2 boreholes. *100% completion of 5,7240km of reticulation network. *100% completion of 700m of rising main. *100% Installation of one 252kl elevated steel tank. *100% Installation of 32 standpipes
Percentage construction of elevated steel tank, construction of rising main, Refurbishment of the existing borehole(concrete pumphouse), reticulation and Stand pipes.,	*Percentage construction of elevated steel tank, rising main, Refurbishment of the existing borehole(with concrete pumphouse), reticulation, * and stand pipes.	100% construction of 254kl elevated steel tank 100% construction of 1,400 km rising main, 100% , Refurbishment of the existing borehole(concrete pumphouse), 100% Construction of 1,033 Km reticulation, 100% Installation of 8 Stand pipes.	*100% construction of 254kl elevated steel tank. *100% construction of 1,400km rising main, *100% Refurbishment of the existing borehole(with concrete pumphouse) *100% Construction of 1,033 Km reticulation. * 100% Installation of 8 Stand pipes.
*Percentage completion of Drilling & Equipping of borehole, completion of reticulation network, completion rising main and Installation steel tank	*Percentage completion of drilling & equipping of borehole, reticulation network,rising main, and steel tank	*100% completion of Drilling & Equipping of borehole. *100% completion of 3,5km of 75mm reticulation network . *100% completion of 0,5km rising main.	*100% completion of drilling & equipping of borehole. *100% completion of 3,5km reticulation network . *100% completion 0.5km of rising main.

<b>Performance indicators per SDBIP</b>	<b>Performance indicator per APR</b>	<b>Targets per SDBIP</b>	<b>Target per APR</b>
		*100% Installation of 74kl steel tank	*100% installation of 74kl steel tank
*Percentage completion reticulation network,rising mainand Number of Jojo Tanks erected.	*Percentage completion of reticulation network,rising main, and number of Jojo tanks erected.	*100% completion 3,5km of 75mm reticulation network.	*100% completion of 3,5km reticulation network. *100% completion 1,2km of rising main. *Four Jojo Tanks erected.
Percentage construction of rising main, installation of elevated steel tanks, Drilling,testing and equipping of boreholes, Construction of reticulation and Number of standpipes installed.	*Percentage construction of rising main, elevated steel tanks,drilling,testing and equipping of boreholes,reticulation and number of standpipes installed.	100% construction of 2km rising main. 100% installation of elevated steel tanks, 100% Drilling,testing and equipping of two boreholes, 100% Construction of 1km reticulation and installation of 12 standpipes.	*100% construction of 2km rising main. *100% installation of two elevated steel tanks. *100% drilling,testing and equipping of two borehole. *100 cConstruction of 1km reticulation. * installation of 12 standpipes.
Percentage completion of Drilling, testing & equipping ,rising main and installation of jojo tanks.	*Percentage completion of drilling, testing & equipping of borehole,rising main,and installation of jojo tanks.	100% completion of Drilling, testing & equipping of 1 borehole. 100% completion of 5km rising main and 100% installation of 4x 10kl jojo tanks	*100% completion of drilling, testing & equipping of 1 borehole. *100% completion of 5km of rising main. *100% installation of 4x 10kl jojo tanks.
Percentage completion of Booster pumpstation, elevated steel tank and connection to the existing rising main constructed.	*Percentage completion of Booster pumpstation, elevated steel tank, and connection to the existing rising main.	100% completion of Booster pumpstation, 100% Installation of 1ML elevated steel tank, 100% connection to the existing rising main constructed.	*100% completion of Booster pumpstation, * 100% Installation of 1ML elevated steel tank. *100% connection to the existing rising main.
Percentage completion of Drilling, testing & Equipping of boreholes, rising main, Concrete pumphouse and palisade	Percentage completion of Drilling, testing & Equipping of boreholes, rising main,concrete pumphouse, and palisade fencing.	100% completion of Drilling, testing & Equipping of 3 boreholes, 100% 2,5km rising main, 100% completion of Concrete	100% completion of Drilling, testing & Equipping of 3 boreholes. * 100% completion of 2,5km rising main. *100% completion of

<b>Performance indicators per SDBIP</b>	<b>Performance indicator per APR</b>	<b>Targets per SDBIP</b>	<b>Target per APR</b>
		pumphouse , 100% completion of palisade	concrete pumphouse, *100% completion of palisade fencing.
Percentage completion of reticulation network, rising main, steel tank , drilling and equipping of borehole and Number of communal standpipes installed .	*Percentage completion of reticulation network,rising main,steel tank,drilling and equipping of boreholeand number of communal standpipes installed	100% completion of 3368m reticulation network, 100% completion of 1,595km rising main, 100% installation of 50kl steel tank , 100% drilling and equipping of 1 borehole and 10 communal standpipes installed .	*100% of 3,368km reticulation network. *100% 1,595km rising main. *100% installation of 50kl steel tank. *100% drilling and equipping of 1 borehole. *10 communal standpipes installed.
Percentage completion of reticulation extension and Number of meters installed	*Percentage completion reticulation extension , and number of meters installed.	*100% completion of 1,5km of reticulation extension.	*100% completion of 1,5km of reticulation extension. *120 meters installed
Percentage completion of Zaaiplass village reticulation including rerservior & bulk pipeline	Percentage completion of Zaaiplass village reticulation including rerservior & bulk pipeline	70% completion of Zaaiplass village reticulation including rerservior & bulk pipeline	70% completion of Zaaiplass village reticulation including rerservior & bulk pipeline
Percentage Construction of Zaaiplass Connector Pipes.	Percentage Construction of Zaaiplass Connector Pipes.	100% construction of Zaaiplass water reticulation (Construction reservoirs 100%; bulk line 100%).	100% construction of Zaaiplass water reticulation (Construction reservoirs 100%; bulk line 100%).
Percentage (%) Commissioning of Tafelkop Reticulation and Cost Recovery	Percentage (%) Commissioning of Tafelkop Reticulation and Cost Recovery	100% Commissioning of Tafelkop Reticulation and Cost Recovery ( Snag listing 50% and testing 50%)	100% Commissioning of Tafelkop Reticulation and Cost Recovery ( Snag listing 50% and testing 50%)
Percentage of construction completed	Percentage of construction completed	50% construction completed ( bulk pipeline, reservior , pump house and chambers )	50% construction completed ( bulk pipeline, reservior , pump house and chambers )

<b>Performance indicators per SDBIP</b>	<b>Performance indicator per APR</b>	<b>Targets per SDBIP</b>	<b>Target per APR</b>
Percentage of construction completed	Percentage of construction completed	50% construction completed ( bulk pipeline, reservior , WTW slow sand filter and chambers )	50% construction completed ( bulk pipeline, reservior , WTW slow sand filter and chambers )
Percentage of construction completed	Percentage of construction completed	100% construction completed (pipe work, stand pipes, boreholes , storage Tank , Package Plant and Valve Chamber)	100% construction completed (pipe work, stand pipes, boreholes , storage Tank , Package Plant and Valve Chamber)
Percentage of construction completed	Percentage of construction completed	70% construction completed (pipe work, concrete chambers and Reservoir construction)	70% construction completed (pipe work, concrete chambers and Reservoir construction)
Percentage of construction completed	Percentage of construction completed	50% construction completed (reticulation pipelines , WTW pump station and air valve chambers)	50% construction completed (reticulation pipelines , WTW pump station and air valve chambers)
Percentage Completion of Concrete reservoirs; Bulk Water Supply; Reticulation.	Percentage Completion of Concrete reservoirs; Bulk Water Supply; Reticulation.	100% Completion of Concrete reservoirs; Bulk Water Supply; standpipes , boreholes and chambers	100% Completion of Concrete reservoirs; Bulk Water Supply; standpipes , boreholes and chambers
Percentage Completion of boreholes developed and Refurbishment Southern Zone	Percentage Completion of boreholes developed and Refurbishment Southern Zone	70% Completion of boreholes developed and Refurbishment Southern Zone (drilling of boreholes, pipe lying and chambers)	70% Completion of boreholes developed and Refurbishment Southern Zone (drilling of boreholes, pipe lying and chambers)
Percentage Completion of Concrete reservoirs; Bulk Water Supply; Reticulation.	Percentage Completion of Concrete reservoirs; Bulk Water Supply; Reticulation.	100% Completion of Concrete reservoirs; Bulk Water Supply; Reticulation ( testing and completion of snaglist)	100% Completion of Concrete reservoirs; Bulk Water Supply; Reticulation ( testing and completion of snaglist)

<b>Performance Indicators per SDBIP</b>	<b>Performance indicator per APR</b>	<b>Targets per SDBIP</b>	<b>Target per APR</b>
Percentage completion of Command Reservoir, pump station and pipelines	Percentage completion of Command Reservoir, pump station and pipelines	70% completion of Command Reservoir, pump station and pipelines ( upgrading of pump station , electrical and installation of pumps, 5 ml reservoir and pipeline )	70% completion of Command Reservoir, pump station and pipelines ( upgrading of pump station , electrical and installation of pumps, 5 ml reservoir and pipeline )
Percentage construction completed	Percentage construction completed	25% construction completed ( Pipe laying and manhole chambers)	25% construction completed ( Pipe laying and manhole chambers)
Percentage completion of reticulation, reservoir, stand pipes at Ga-Malekane , Masha, GaMaepa.	Percentage completion of reticulation, reservoir, stand pipes at Ga-Malekane , Masha, GaMaepa.	100% completion of reticulation, reservoir, stand pipes at Ga-Malekane , Masha, GaMaepa (pipeline , standpipes , storage reservoirs , pump house, chambers, boreholes and pumstation transformer)	100% completion of reticulation, reservoir, stand pipes at Ga-Malekane , Masha, GaMaepa (pipeline , standpipes , storage reservoirs , pump house, chambers, boreholes and pumstation transformer)
Percentage construction completed	Percentage upgrading and extension of Rososenekal WWTW	100% Upgrading and Extension of Roosenekal WWTW	100% Upgrading and Extension of Roosenekal WWTW
Number of notified cases attended.	Number of notified cases attended.	All notified cases attended .	All notified cases attended .
Number of all reported Emergency Services incidents attended	Number of all reported Emergency Services incidents attended	Number of all reported Emergency Services incidents attended	All reported Emergency Services incidents attended
Number of all required facilitations for supply of fire fighting equipment	Number of all required facilitations for supply of fire fighting equipment	All required facilitations for supply of fire fighting equipment	All required facilitations for supply of fire fighting equipment
Number of relief material provided to all disaster victims	Number of relief material provided to all disaster victims	Provide relief material to all affected disaster victims	Provide relief material to all affected disaster victims

## Various indicators

30. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of targets listed below. This was due to limitations placed on the scope of my work and/ or due to lack of adequate integrated performance information structure and system. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievements reported.

Key performance indicator	Annual target	Actual progress
Number of bulk water meters installed by June 2018	8 bulk water meters installed	Achieved;  Installation of 8 bulk water meters
Number of VIDP sanitation units constructed	334 VIDP Sanitation units constructed	Achieved;  *334 pits excavated. * 334 pit linings *334 units installed *314 units signed off
Number of VIP sanitation units constructed	859 VIP Sanitation units constructed	Not achieved;  259 VIP Sanitation units constructed
Number of technical reports developed and submitted to DWS	3 technical reports developed and submitted	8 technical reports
Number of water quality reports generated	12 water quality reports generated	12 water quality reports generated
Number of VIP sanitation units constructed	1 295 VIP Sanitation units constructed	Not achieved;  1 002 VIP sanitation unit constructed.
Number of VIP sanitation Units constructed	960 VIP sanitation units constructed	achieved;  960 VIP sanitation units constructed
Number VIP Units constructed	1643 VIP sanitation units constructed	achieved;  1643 VIP sanitation units constructed
Number of VIP sanitation units	1193 VIP sanitation units constructed	1078 VIP sanitation units constructed



<b>Key performance indicator</b>	<b>Annual target</b>	<b>Actual progress</b>
Number of registered sanitation incidents resolved within 14 days	7000 registered water incidents resolved within 14 days	6978 registered water incidents resolved within 14 days
Number of registered sanitation incidents resolved within 14 days	700 registered sanitation incidents resolved within 14 days	804 registered sanitation incidents resolved within 14 days
Number of Health Care Risk Waste facilities monitored.	70 Health Care Risk Waste facilities monitored	141 Health Care Risk Waste facilities monitored
Number of registered sanitation incidents resolved within 14 days	7000 registered water incidents resolved within 14 days	6978 registered water incidents resolved within 14 days
Number of registered sanitation incidents resolved within 14 days	700 registered sanitation incidents resolved within 14 days	804 registered sanitation incidents resolved within 14 days
Number of water quality samples collected	210 water quality samples collected	293 Water quality samples collected

#### **Development priority 2.5 – Local economic development**

31. I did not raise any material findings on the usefulness and reliability of the reported performance information for this development priority.

#### **Other matters**

32. I draw attention to the matters below.

#### **Achievement of planned targets**

33. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year and explanations provided for the under achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs [x to x] of this report.

#### **Adjustment of material misstatements**

34. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of development

priority 2.5: local economic development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## **Report on the audit of compliance with legislation**

### **Introduction and scope**

35. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
36. The material findings on compliance with specific matters in key legislations are as follows:

### **Annual financial statements, performance and annual report**

37. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.

Material misstatements of current assets and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and/or the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

### **Expenditure management**

38. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R 54 159 575, as disclosed in note 42 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by over spending in Infrastructure Water Services (IWS), speaker's office, municipal manager's office and community services.
39. Reasonable steps were not taken to prevent irregular expenditure amounting to R151 841 362 as disclosed in note 44 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance to regulation 38 of the MFMA.
40. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R5 900 773, as disclosed in note 43 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest charged on overdue accounts and SARS interest and penalties.

### **Consequence management**

41. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
42. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA

## Other information

43. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the audit committee's report. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
44. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
45. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
46. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

47. The leadership did not implement effective human resource management principles to ensure that relevant and sufficiently skilled resources are in place to manage performance information reporting and compliance with laws and regulations.
48. Although leadership developed an action plan to address the internal control deficiencies reported in the prior year, it was not monitored regularly and adhered to
49. Adequate controls over daily and monthly processing and reconciling of transactions were not properly implemented and as a result material misstatements were identified during the audit.
50. Although the leadership reviewed the annual financial statements and the annual performance report prior to their submission for audit, the internal control environment is not operating effectively as a number of misstatements were still identified.
51. There was no adequate review and monitoring of compliance with applicable laws and regulations
52. The annual performance report contained numerous misstatements mainly due to a lack of financial monitoring and review.

## Other reports

53. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

### Investigations

54. The municipality erroneously paid an amount of R5 452 014 into incorrect bank accounts during July 2018. As a result, investigations are being conducted by management, to determine the liable parties. The investigations were still ongoing at the reporting date.

*Auditor-General*

Auditor-General

Polokwane

20 December 2018



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure – Auditor-general's responsibility for the audit**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priorities and on the municipality's compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Sekhukhune District Municipality ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.